

## Item # 32

AGENDA DATE: 06/17/15  
PRESENTATION



# Development Impact Fee Update:

## Traffic Facilities Fee

## Recreation and Community Center Facilities Fee

City of Morgan Hill

Carlos Villarreal

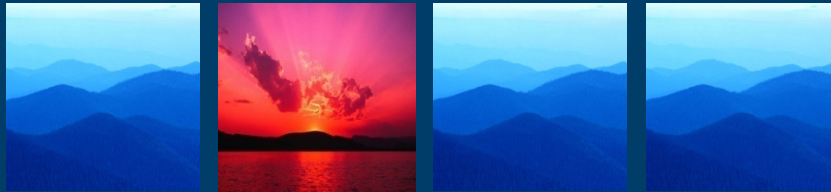
June 17, 2015

# What are impact fees?

- One-time fees charged to new development, usually at building permit
  - Not an ongoing fee charged to residents or business owners

# What are impact fees?

- May be used to fund facilities needed to serve new development
  - Not for operations and maintenance costs
  - Not for the share of facilities serving existing development



# Conducting an Impact Fee Nexus Study

# Mitigation Fee Act Findings (Govt. Code §66001)

- Key findings
  - **Need:** Development  $\approx$  Need for facilities
  - **Benefit:** Development  $\approx$  Use of revenue
  - **Rough proportionality:** Fee amount  $\approx$  development's share of facility costs
- Other findings
  - Purpose of fee
  - Use of fee revenue

# Impact Fees – Basic Methodology

1. Estimate existing development and future growth
2. Identify facility standards
3. Determine new facility needs and costs
4. Allocate share to accommodate growth
5. Identify alternative funding needs
6. Calculate fee by allocating costs per unit of new development

# Facility Standards: *Determining Need or Impact*

## Demand Standard

- Physical measure of demand for facilities
- Clearly distinguishes impact of growth versus existing deficiencies

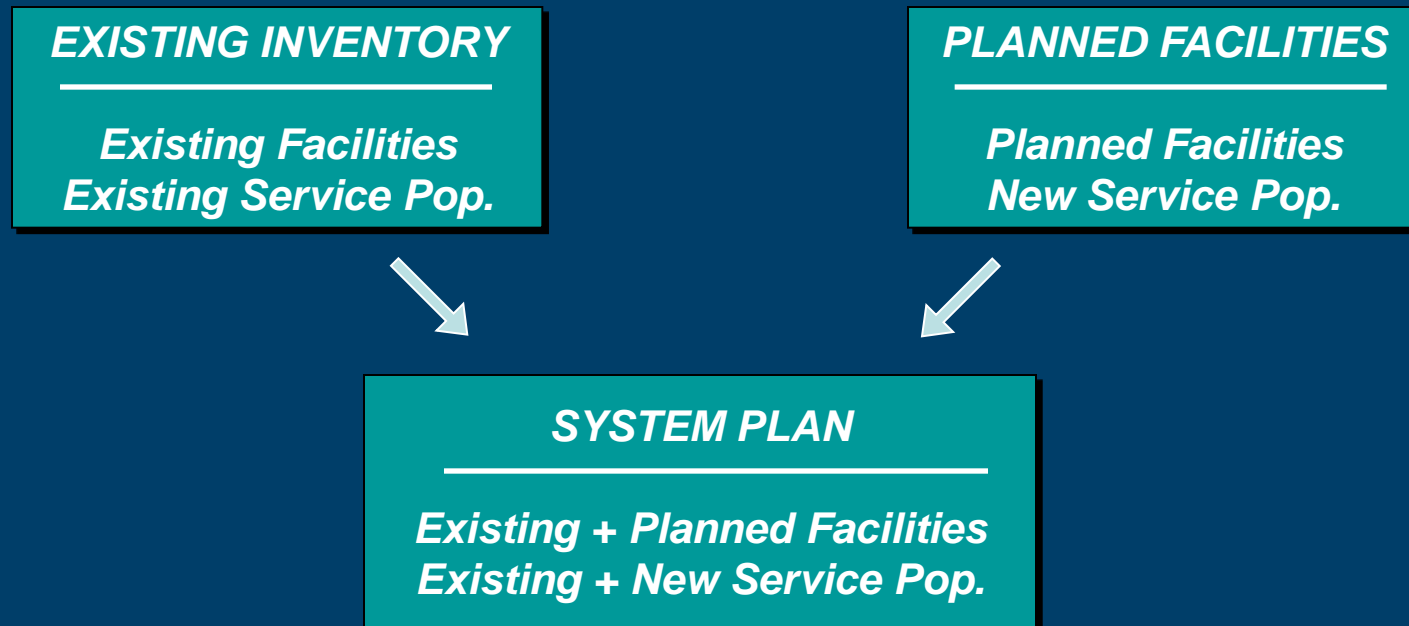
## Design Standard

- “What type” of facility not “how much”
- Allows for “what could be” but isn’t here now
- Existing deficiencies not clearly identified

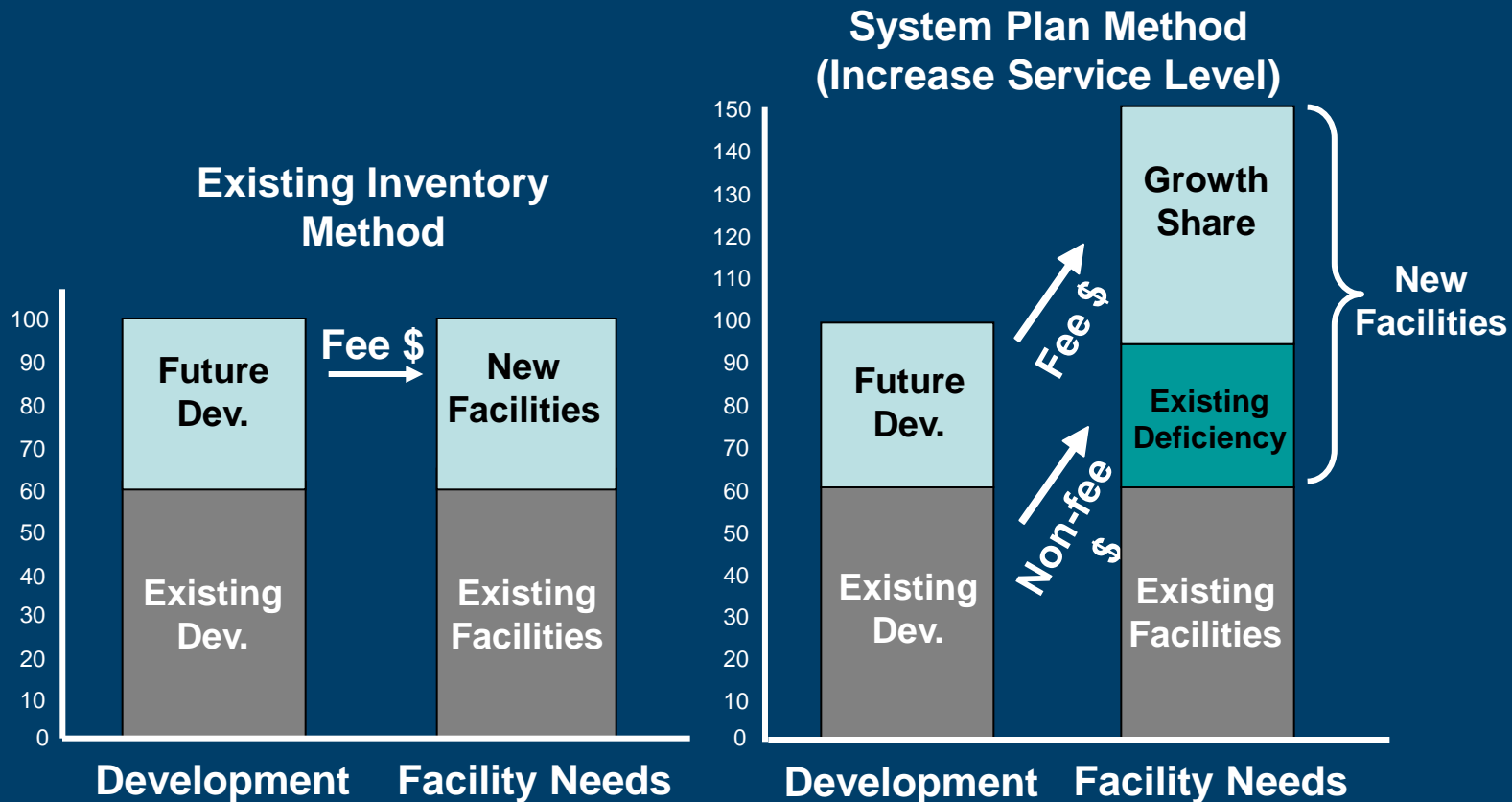
## Cost Standard

- Facility costs per unit of growth
- Converts different facility elements into a single standard

# Cost Allocation Methods: *WHAT* Facilities Serve *WHO*



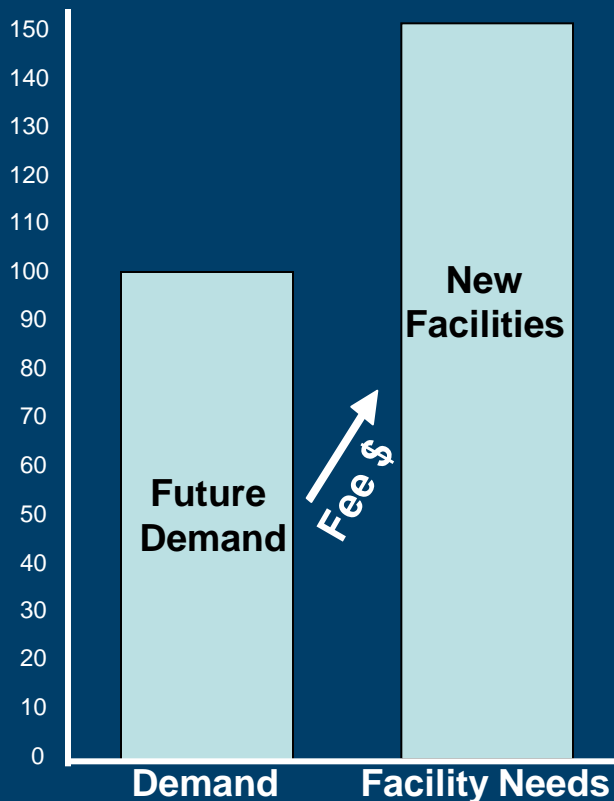
# Allocating Cost of New Facilities: *Existing Inventory vs. System Plan*



# Allocating Cost of New Facilities:

## *Planned Facilities Method - “But For Growth”*

### Planned Facilities Method



Planned facilities not needed BUT FOR new development

- Use engineering models to demonstrate need for facilities to serve growth
- Usually applicable for traffic & utility fees

# Growth Projections

## **City of Morgan Hill Growth Projections**

|                             | <b>2015</b> | <b>2035</b> | <b>Increase</b> |
|-----------------------------|-------------|-------------|-----------------|
| Residents                   | 41,400      | 60,000      | 18,600          |
| Dwelling Units              | 13,900      | 20,100      | 6,200           |
| Building Square Feet (000s) | 7,939       | 11,978      | 4,039           |

Sources: CA DOF; City of Morgan Hill.

# Planned Traffic Facilities

- Roadway Segment Improvements
  - Cochrane Road
  - Dunne Ave.
  - Hill Road
  - Madrone Parkway
  - Main Ave
  - Murphy/Mission View Dr.
  - Hale Ave.
  - Butterfield Blvd.
  - Tennant Ave.
  - Watsonville Road
  - Monterey Road

**Total = \$29.3 million in new facilities**

# Traffic Facilities Fee Schedule

## Maximum Justified Traffic Impact Fee Schedule

|                       | A             | B              | C = A x B              | C / 1,000       |
|-----------------------|---------------|----------------|------------------------|-----------------|
|                       |               | PM Peak        |                        |                 |
| Land Use              | Cost Per Trip | Hour Trip Rate | Total Fee <sup>1</sup> | Fee per Sq. Ft. |
| <u>Residential</u>    |               |                |                        |                 |
| Single Family         | \$ 1,816      | 1.00           | \$ 1,816               |                 |
| Multi-family          | 1,816         | 0.62           | 1,126                  |                 |
| <u>Nonresidential</u> |               |                |                        |                 |
| R&D                   | \$ 1,816      | 1.07           | \$ 1,943               | \$ 1.94         |
| Commercial            | 1,816         | 3.71           | 6,737                  | 6.74            |
| Office                | 1,816         | 1.49           | 2,706                  | 2.71            |
| Industrial            | 1,816         | 0.97           | 1,762                  | 1.76            |
| Warehouse             | 1,816         | 0.32           | 581                    | 0.58            |

# Traffic Facilities Fee Schedule

## Comparison to Existing Traffic Fee

| Land Use                     | Existing<br>Traffic<br>Fee | Proposed<br>Traffic<br>Fee | Difference | Percent<br>Change |
|------------------------------|----------------------------|----------------------------|------------|-------------------|
| <i><u>Residential</u></i>    |                            |                            |            |                   |
| Single Family                | \$ 1,791                   | \$ 1,816                   | \$ 25      | 1%                |
| Multi-family                 | 1,254                      | 1,126                      | (128)      | (10%)             |
| <i><u>Nonresidential</u></i> |                            |                            |            |                   |
| R&D                          | \$ 1,916                   | \$ 1,943                   | \$ 27      | 1%                |
| Commercial                   | 6,645                      | 6,737                      | 92         | 1%                |
| Office                       | 2,669                      | 2,706                      | 37         | 1%                |
| Industrial                   | 1,737                      | 1,762                      | 25         | 1%                |
| Warehouse                    | 573                        | 581                        | 8          | 1%                |

# Planned Recreation and Community Center Facilities

- CRC Fitness Expansion
- New Gymnasium
- Parking Facilities at CRC, OSC
- Expansion of Friendly Inn Space
- Expansion of El Toro Youth Center
- Expansion of Aquatics Center
- Additional Lap Pool

**Total = \$13.1 million in new facilities**

# Recreation and Community Center Facilities Fee Schedule

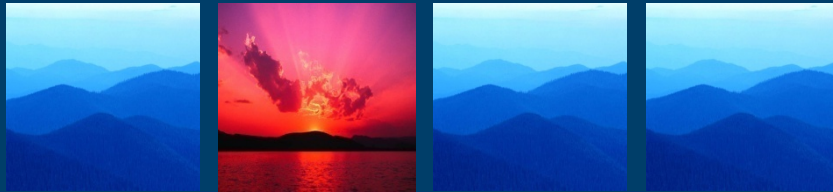
## Recreation and Community Center Facilities Fee - Existing Standard

|                         | A               | B                         | C = A x B |
|-------------------------|-----------------|---------------------------|-----------|
| Land Use                | Cost Per Capita | Density per Dwelling Unit | Total Fee |
| <u>Residential</u>      |                 |                           |           |
| Single Family           | \$ 1,182        | 3.02                      | \$ 3,570  |
| Multi-family            | 1,182           | 2.65                      | 3,132     |
| Senior / Downtown / Sec | 1,182           | 2.00                      | 2,364     |

# Recreation and Community Center Facilities Fee Schedule

## Recreation and Community Center Facilities Fee - Planned Facilities Standard

|                           | <i>A</i>                   | <i>B</i>                                 | <i>C = A x B</i> |
|---------------------------|----------------------------|--|------------------|
| <b>Land Use</b>           | <b>Cost Per<br/>Capita</b> | <b>Density per<br/>Dwelling<br/>Unit</b> | <b>Total Fee</b> |
| <u><i>Residential</i></u> |                            |  |                  |
| Single Family             | \$ 712                     | 3.02                                     | \$ 2,150         |
| Multi-family              | 712                        | 2.65                                     | 1,887            |
| Senior / Downtown Unit    | 712                        | 2.00                                     | 1,424            |



| Existing Facilities<br>Standard Method   | Planned Facilities<br>Standard Method  |
|--|--|
| <p>Value of Existing Recreation Facilities per resident is \$1,182.</p> <p>↓</p> <p>New Development Charged \$1,182 per resident for impact fee.</p> <p>↓</p> <p>Single Family Residential Unit average is 3.02 people per unit.</p> <p>↓</p> <p>New fee for Single Family Residential is \$3,570.</p> | <p>New Facilities to be constructed over next 20 years are identified to cost \$13,251,500.</p> <p>↓</p> <p>Population expected to grow by 18,600 over next 20 years.</p> <p>↓</p> <p>New Development Charged \$712 per resident for impact fee.</p> <p>↓</p> <p>Single Family Residential Unit average is 3.02 people per unit.</p> <p>↓</p> <p>New fee for Single Family Residential is \$2,150 per resident for impact fee.</p> |

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| <b>Rec Center Impact<br/>Fee Comparison</b>              | <b>Existing<br/>Facility<br/>Standard</b> | <b>Planned<br/>Facility<br/>Standard</b> |
|--|---|--|
| <b>Single Family</b>                                     | \$3,570                                   | \$2,150                                  |
| <b>Multi-Family</b>                                      | \$3,132                                   | \$1,887                                  |
| <b>Senior/Downtown/<br/>Sec</b>                          | \$2,634                                   | \$1,424                                  |
|  |   |  |
| <b>Estimated Revenue<br/>Generated over 20<br/>Years</b> | \$22 Million                              | \$13.3 Million                           |

## **Council Options**

1. Approve Traffic Impact Fee and Recreation Center Impact Fee with Existing Facilities Standard.
2. Approve Traffic Impact Fee and Recreation Center Impact Fee with Planned Facilities Standard.
3. Approve Traffic Impact Fee only.
4. Provide staff with other direction.